

Address: Thursday Morning, March 28th  
Before New York Stock Exchange Institute.

### A FINANCIAL EDUCATION

Most of us have at one time or another been duly impressed with the labels of higher education. He is a Yale man, a Harvard man, a Princeton man, an Oxford man, a Cambridge man. He has an M.A. or a Ph.D. or some one of the other appellations by which we designate the graduates of our leading institutions both here and abroad. Many times however, when we dispassionately appraise the individual's bearing these labels, apart from these labels, we are distressed and appalled at the result. They are also all too often snug, semi-illiterate and worst and most unforgivable of all, hopelessly dull both in their horizon and their perspective. Likewise, many of us have come into contact with men of wealth, men of means in relation to the community and we are prone to bow in reverence before the parrot like phrase "money talks" and assume and accept without question that such an individual must have a profound knowledge of money, banking and credit. It is even more discouraging here than in the cultural realm. To discover that not always but too often such men possess no knowledge whatever either of the value of money or of the limits of money. Hence they must always be living in a glass house of illusion, having their minds and characters molded and warped by the seriousness by which they take their money and striving for ideals and aspirations which from the very foundation on which they are reared cannot help but crumble to dust and ashes in their hands when and if they are attained. Now it is on account of the tragedy of this misapplication or misapprehension of the differentiation between the labels and the products which we encounter so constantly in life, that I have chosen for my subject this morning, a financial education.

The word "to educate" comes from the latin educere which means to lead out, to lead forth, to nourish, to build and it has always been a deep source of regret to me that we constantly speak of "an education" as though it

were a completed process. Now nourishment in the physical realm can never be a completed process, this side of the grave. And I think it is even more true of man's mental stature. A man's mind needs nourishment every bit as much as his body. Now it is my purpose in a very sketchy and fragmentary way to paint a canvass, the outlines of which you must fill in for yourselves, in which the scope of a financial education and the purpose of a financial education may be envisaged.

At the outset, I recognize that the great majority of you will consider what I have to say as philosophical drivel, idealistic nonsense and will shake your heads and go out saying: "give me the dough, that's all I care about". But it is on account of the importance to the country at large, to the community which we serve and to the future prosperity, if any, of the world in which we live, that I continue to believe that the man who keeps his head in the clouds and at the same time, his feet on the ground, will receive a real measure of reward. Those of us in finance have one of the most fascinating and interesting fields for research and reflection that is open to man and it would be a pity if having been forced, as many of us have, into this field merely because we need money, we should fail to recognize this. So I should like to discuss this morning the two phases of finance on which the keystone of our future must be built. One, money; two, employment. Money is the product for which we strive; our job is the factory in which we hope to manufacture it. Are put in terms of practical economics, labor as a source of income and labor as a means of production.

Many of us have read learned treatises on the gold standard and other related subjects which have poured forth from the presses of the entire world during the depression period which we hope has passed, and yet few of us have really grappled with the meaning of money. Money is both a medium of exchange and a standard of value and its basic component is confidence and this confidence is no stronger than the civilization upon which it is reared, and must of necessity be a part of its very fabric. Once having recognized this, the financial pages of the daily papers become of intense interest for in these pages the discerning student can discover the political and economic history of modern times and so

to illustrate this point, I should like to discuss the word which has become most prevalent in our community in the last five years and the country which is most closely identified with that word. The word is inflation, and the country is Germany. Now, inflation means nothing more than unsound, basically false, artificial and it is thoroughly distressing to perceive that a nation which is less than one hundred years old in its modern form should have used material organization to attain the spiritual desperation now apparent in the government of Germany. I would like to outline briefly the history of the German Empire. Following the thirty years war in 1648, the present German Empire consisted of a disorganized body of heterogeneous principalities, possessing a multiplicity of currency standards and no formal centralized government whatsoever, aside from the loosely drawn confederation known as the Bund. Because of the constant animosity of Austria and Prussia, this Bund was in a perpetual state of unrest, nevertheless these currencies gradually grouped themselves around the Prussian taler and the Austrian gulden. Some signs of industrial organization began to emerge. In 1863 a Customs Union or (Zollverein) was formed and in 1863 uniform codes of commercial law and bills of exchange were established. In 1866 Austria withdrew from the confederation and the North German Confederation was formed. This North German Confederation was the direct antecedent to the founding of the German Empire, January 18, 1871. The first important act of the new Empire was the establishment of a Central Bank, the Reichsbank and placing at its head none other than the noted Chancellor himself, Bismarck. Those of you who are sincerely interested in knowing the true value of money should read carefully Walter Bagehot's "Lombard Street", Dunbar on Banking and Credit, Dr. Burgess, the Reserve Banks in the Money Market, and in the light of the principles enunciated therein, follow it up with a careful study of Herbert Feis's amazingly provocative book "Europe the World's Banker" 1870-1914, and I think you will see something of what I mean by the scope of a financial education insofar as it affects the study of money. It was an amazing development which the German Empire had ac-

completed, and its basis was almost entirely financial. During the period 1893-1900 the Grossbanken developed so rapidly that the depression of 1900 was almost entirely localized and hardly felt at all in Germany. By 1912 uniform balance sheets were furnished by these banks to the Reichsbank and a definite check on the financial pulse of Germany was available at the Palace each day. And now we come to the tragic end of Germany's march to the sun. When at four o'clock in the afternoon of July 31st, 1914 Kaiser Wilhelm II stood on the balcony of the Palace in Berlin and addressed a teeming excited multitude of people, his words briefly, which I know by heart, because they struck me as being so dramatic and symbolic of the period which was to follow, "the hour of decision has struck. Germany is surrounded on all sides by envious peoples. We must show the world what it means to provoke Germany." And so in a short space of time the dominant note of our civilization became the call of the bugle and the sound of marching feet. And it is from this period on that a real history of the war from our standpoint can be obtained more clearly from the financial pages of the New York Times than from the front pages of our leading periodicals. Three important decrees were issued on August 4th, 1914 and passed almost unnoticed in the welter of propaganda. First, suspension of redemption of the Mark in gold; second, the admittance of treasury issues as cover for the note issue; and third, the establishment of war loan organizations. The discount rate of the Reichsbank was raised from 5 to 6% and at that time the reserve in the bank in gold stood at one billion, two hundred and fifty marks. Germany was now swept with a wave of patriotism and the form in which this patriotism was directed was mainly financial. Citizens were urged on all hands to turn in their gold trinkets and other jewels. The great rallying cry of Germany became the slogan "gold I gave for iron" and in the amazingly short space of seven months's time, the metallic reserve of the Reichsbank was raised to two billion five hundred million marks. It is very doubtful if Germany could have held out for a longer than six months or a year at most were it not for this amazing financial organization which enabled it to finance the war almost entirely out of loans whereas the British Government up till near the end of the war, still resorted to taxation. I do not desire to go into this field further

further than to point out the great drama in the realm of finance which was unfolded. Suffice it to state that when the German troops marched into Belgium that the shop-keeper who was paid one evening in Belgium currency, found to his sorrow that he was in the hands of a rival government but that his currency was worthless. The troops needed money and so the gold and the Societe Generale was confiscated and placed in a closed reserve account in the Reichsbank where it served as cover for Notgeld which became the circulating currency of the occupied territories. At the end of the war, over five billion Marks worth of this occupation currency was outstanding and I recommend to everyone here a careful, thoughtful reading of the sections of the Treaty of Versailles which relate to the liquidation of this occupation currency.

The further history of what led to the German inflation bears out more fully what I have said before, despite the fact that the material resources of Germany had been mortgaged to the hilt, its currency did not completely collapse until the Ruhr invasion and the period of passive resistance. When finally the confidence factor which I have stressed before caused the whole edifice to topple and the Mark, which in the early part of 1925 stood at 20,000 marks to the dollar, rose to the astronomical figure of 4 trillion, 200 billion marks to the dollar and German credit and finance had completely collapsed. I haven't time here to go into the establishment of the Rentenmark and the remarkable financial leger de main practised by German financial scoundrels, but ~~XXXXXXXXXXXXXXXXXXXX~~ it is enough to say that German financial genius has not as yet disappeared. The German inflation was exactly comparable to what would have occurred had a nation of giants descended on New York City and growing playful had picked up the Empire State Building and hurled it at the Chrysler Building. It was wreckage, pure and simple. The implications of what I have said, social, political and economic, must be apparent to everyone who sincerely reflects on them.

Now I turn to the concluding portion of this address, having discussed briefly the basic factors in the value of money, I must of necessity turn to what is more practical for each one of us, the study of our own jobs. First of all, I should like to emphasize that an intelligent appreciation of the jobs which we are

performing is an essential factor in our own advancement and growth. Too frequently the attitude of people is not what services they can render to the community but how much they can get out of the community. They have no desire to give anything to the community. They have no desire to build in the community. Their only desire is to be a leech and a parasite, getting as much as possible for as little as possible. Now, I am not a reformer. I have no hope of changing human nature but I still recognize that a community, like a chain, is no stronger than its weakest link and that while there may be periods such as the depression which we have gone through, when there is legitimate reason for complaining about what our neighbors have, when we have nothing, that still over a long period of time it is our job individually to so mold and form our lives that the community cannot do without us, that a time cannot develop when the community can dispense with our services. Now most of you have heard my own views on the basic problem of unemployment and know that I consider it to be inevitable, as I think any intelligent student will consider it to be. Unemployment is unquestionably part of the price of competition, Part of the waste without which a system of competition could not be engaged in. There is therefore much justification for Socialistic criticism of the existing order on this ground. If the solution of the problem of unemployment means that all men willing and able to work should be guaranteed a job in the field for which they are trained during the entire period of their life, at a specified minimum wage, there is no solution of the problem of unemployment in sight. And I for one hope that no such solution would ever be embraced if it were available. It would mean that men would become even more so than they are today, human robots, human machines, with no drive, initiative or horizon. If however the solution of the problem of unemployment means that no man willing and able to work should come to destitution and degradation for want of work, I think that every right-thinking man and woman, regardless of how fortunate they may be as individuals, should be putting their shoulder to the wheel of bringing about this result. The demand for labor cannot be stereotyped, but the supply of labor can be made infinitely more capable of following the demand and of waiting for

the demand. Fluctuations in trade and industry are now met by the maintenance of huge stagnant reserves of labor in varying degrees of distress. There is no reason in the nature of things why these reserves should not be maintained as organized reserves, raised beyond the power of distress. It is a policy of establishing a standard of life on a longer and a broader basis and in the individual field as in the collective field, it is a problem of making the facts of your particular case fit the assumptions of economic theory. It is very easy to demonstrate mathematically at least that if the demand for labor were concentrated in one spot and the supply of labor was entirely fluid, there would always be tendency to equilibrium and unemployment would constantly be tending to diminish and disappear. Each one of us individually has a definite responsibility to himself to so far as possible determine and isolate the place where the demand for his services are the greatest and to make his movements as fluid as possible by study, by going to night school, by constantly growing and developing as many bows to his string as he possibly can. Education in the final analysis is first a vision which corresponds with the alphabet. A man cannot read, who does not know his A.B.C. You can lead a horse to water however, but you cannot make him drink and how many of us who know our A.B.C. ever do any serious reading, ever put to work the alphabet which we have mastered. The vision should constantly widen, but travelling down the road which is the most difficult phase of the process of an education is a long, hard, grinding grueling task and the one which is most difficult for us to accomplish. My plea this morning is not for a rehash of the old maxims which most of you have heard from childhood, such as "honesty is the best policy", "love your neighbors as yourself" "be thrifty and save your money" "and balance your budget" by living within your means". I do not mean to deny or decry these adages but after the period which we have passed through I think all of us realize that while they may be true collectively, they may not be true individually as witness the peer thrifty individual who lost his savings in a bank. Each one of us must fit into our own philosophy, the necessary apparatus to enable us to adapt ourselves intelligently to the community which we serve and recognize that

our own growth, however difficult it may be to see it, can be no larger than the growth of the community as a whole in relation to the amount of energy commensurate with our ability which we put into our labors. And so my friends, in conclusion, having offered you the canvass, I urge you to fill in the details. There are many things which I have unquestionably said which may demonstrate myopia, near-sightedness on my own part, but the struggle of life is worth the candle and I should like to give you in conclusion a poem which has been one of my favorites and urge that you reflect on it as I try to reflect on it in our individual financial growth. Amen

Say not the struggle nought availeth  
The labor in the wounds are vain  
The enemy fainteth not nor falleth  
and as things were, so they remain.

If hopes were dupes, fears may be liars.  
It may be through you smoke concealed.  
Your comrades chase 'seen now the foe,  
And but for you, you quitter, possess the field.

For while the tired waves vainly breaking  
Seem here no painful inch to gain,  
Far back the sun climbs slow, how slowly,  
But westward, hark, the day is bright.